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6 Attorney for Lenders Protection Group  
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8 UNITED STATES BANKRUPTCY COURT  
9 DISTRICT OF NEVADA  
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11 In Re:  
12 USA COMMERCIAL MORTGAGE  
COMPANY,  
13 Debtor.

Case Nos.:  
BK-S-06-10725-LBR  
BK-S-06-10726-LBR  
BK-S-06-10727-LBR  
BK-S-06-10728-LBR  
BK-S-06-10729-LBR

14 In Re:  
15 USA CAPITAL REALTY ADVISORS,  
LLC,  
16 Debtor.

JOINTLY ADMINISTERED  
Chapter 11

17 In Re:  
18 USA CAPITAL DIVERSIFIED TRUST  
DEED FUND, LLC,  
19 Debtor.

**DECLARATION OF DONNA  
CANGELOSI IN SUPPORT OF  
OPPOSITION TO EMERGENCY  
MOTION OF COMPASS FINANCIAL  
PARTNERS LLC FOR ORDER  
PURSUANT TO 11 USC §§ 105 AND  
1141 ENFORCING CONFIRMATION  
ORDER AND FOR CIVIL  
CONTEMPT SANCTIONS**

20 In re:  
21 USA CAPITAL FIRST TRUST DEED  
FUND, LLC,  
22 Debtor.

Hearing Date: May 31, 2007  
Hearing Time: 2:30 p.m.

23 In re:  
24 USA SECURITIES, LLC,  
25 Debtor.

26 Affects:  
27 ☐ All Debtors  
28 ☒ USA Commercial Mortgage Company  
☐ USA Capital Realty Advisors, LLC  
☐ USA Capital Diversified Trust Deed Fund, LLC  
☐ USA Capital First Trust Deed Fund, LLC  
☐ USA Securities, LLC

1 I, DONNA CANGELOSI, being first duly sworn, do depose and say under the penalty of  
2 perjury:

3 1. I am an investor in certain loan brokered by USA Commercial Mortgage Company,  
4 and am the chairperson of the Lenders Protection Group (the "LPG") and support moving loan  
5 servicing to a new loan servicer.

6 2. I have knowledge of and am competent to testify to the matters stated herein.

7 3. On or about February 16, 2007, I received a press release issued by Compass  
8 Partners ("Compass"), a copy of which is attached hereto as Exhibit A, in which Compass  
9 stated that the actual value of the assets purchased from USACM and FTDF was more than  
10 \$150 million.

11 4. Upon request of the LPG and other direct lenders, Compass has refused to  
12 disclose any compensation they are receiving or have received for their services under the  
13 Loan Servicing Agreements.

14 5. Neither I, nor any other member of the LPG, executed a written extension  
15 of their USACM powers of attorney in favor of Compass.

16 6. In the three months that have passed since Compass closed on the asset  
17 purchase transaction, LPG members have received only a total of seven (7) individual loan  
18 status reports, but has provided no loan summaries or cash collection reports.

19 7. Compass has taken the position that it is entitled to be paid default interest  
20 and other fees, prior to Direct Lenders being paid principal and interest, which is in direct  
21 conflict with the terms of the promissory notes and other loan documents. *See Email from*  
22 *Compass*, attached hereto as Exhibit B.

23 8. On May 9, 2007, the State of Nevada, Division of Mortgage Lending,  
24 entered a formal *Order Imposing Fine And Order To Cease And Desist And Notice of Right*  
25 *To Request Hearing*, pursuant to which Compass was ordered to cease and desist all  
26 mortgage lending/agent activities in Nevada, a copy of which is attached hereto as Exhibit  
27 C. Compass has never notified direct lenders of their move to New York, leaving  
28 telephone calls unanswered, email with no response and failing to show up for conference

1 calls they scheduled with direct lenders.

2 9. Based on NAC 645B.073, and the various acts on Compass, and Compass  
3 alone, Direct Lenders constituting over 51% of the beneficial interests in loans serviced  
4 by Compass have executed written elections to: (1) terminate any rights that Compass may  
5 have to service their various Loan; and (2) to appoint an alternate servicing agent for  
6 loans. *See Exhibit D, hereto, which summarizes the elections to terminate Compass, which*  
7 *are too voluminous to attach to this Declaration.* Specifically **60%** of all outstanding  
8 beneficial interests, and **62%** of the total number of direct lenders executed written  
9 elections to terminate Compass.

10 10. On May 3, 2007, Compass filed a lawsuit against six (6) direct lenders/LPG  
11 members in the District Court for the State of Nevada, County of Clark as Case No. 07-A-  
12 540604-C, which sought damages and injunctive relief against those direct lenders based  
13 on their communications with fellow direct lenders about Compass. A copy of the  
14 Complaint is attached hereto as Exhibit E.

15 11. On May 18, 2007, Compass filed a lawsuit against me in the District Court  
16 for the State of Nevada, County of Clark as Case No. 07-A-541428-C, which sought  
17 damages and injunctive relief her based on her communications with fellow direct lenders.  
18 A copy of the Complaint is attached hereto as Exhibit F.

19 12. On May 18, 2007, the direct lenders sent Notices of Termination to Compass  
20 and its attorneys, which were delivered on May 21, 2007. A sample copy of a Notice of  
21 Declaration, which is identical to all other Notices, is attached to the Declaration of Donna  
22 Cangelosi as Exhibit G.

23 13. On May 18, 2007, the direct lenders also sent Notices To Borrowers  
24 informing them that Compass had been terminated as loan servicer and directing them to  
25 forward future payments to direct lenders new loan servicer, as permitted in the  
26 promissory notes and loan documents between direct lenders and borrowers.

27 14. On May 21, 2007, various direct lenders filed a *Complaint For Declaratory*  
28 *Relief and Damages* in the United States District Court, District of Nevada, as case No.

1 07-CV-0224-ECR-VAC (the "District Court Action"). That District Court Action seeks  
2 declaratory relief regarding certain post-confirmation rights of direct lenders under the  
3 Loan Servicing Agreements and damages against Compass and other parties, based on  
4 their post-confirmation conduct and actions. A copy of the Complaint is attached hereto  
5 as Exhibit H.

6 15. On May 23, 2007, Compass voluntarily dismissed its state court action  
7 against LPG members and Cangelosi. *See Exhibit I*, hereto.

8 16. On May 25, 2007, after abandoning its State Court cases two (2) days prior,  
9 Compass filed its instant Motion in this Court. I hereby swear under penalty of perjury  
10 that the assertions of this Declaration are true.

11 DATED: May 30, 2007

12 /s/ Donna Cangelosi  
13 Donna Cangelosi  
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